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1C. FUKUOKA 0047

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Classified By: Deputy Chief of Mission James P. Zumwalt for reasons 1.4 (b) and (d).

11. (C) SUMMARY: The first Japan-Mekong Summit on November 6-7 is the culmination of a year-long effort by Japanese leaders to strengthen ties to mainland Southeast Asia and will cap the Japan-Mekong Exchange Year, a program aimed at deepening cooperation and mutual understanding. Japan has assured its neighbors to the west that the Mekong region is a "priority area." Japanese leaders see the region as an integral part of the country's diplomatic, security, and economic strategy in Southeast Asia, and in the Asia-Pacific more broadly. Japan's outreach is aimed in part to counter China's growing presence. Embassy contacts express concern about the prospect for Mekong countries to fall under Chinese political and economic influence. In this vein, Japan has sought to strengthen ties by relying on traditional diplomacy tools, such as official development assistance (ODA) and trade and investment strategies. Japanese officials also stress the importance of people-to-people exchanges. Japan sees engagement with Mekong countries also as a way to address other regional concerns, such as Burma and North Korea. There is room for broader U.S.-Japan cooperation, particularly in the realms of education, counterterrorism, social development, democratization, and anticorruption, our interlocutors note. END SUMMARY.

12. (C) The first Japan-Mekong Summit on November 6-7 is the culmination of a year-long effort by Japanese leaders to strengthen ties to mainland Southeast Asia. Prime Minister Yukio Hatoyama will host counterparts from Burma, Cambodia, Laos, Thailand, and Vietnam to cement partnerships, explore potential new areas of cooperation, and build on progress during the past year, according to officials from Japan's Ministry of Foreign Affairs (MOFA). Throughout the year, Japan has welcomed several high-level visitors, including the prime ministers of Thailand, Vietnam, and Laos, respectively, and has dispatched its Foreign Minister to Cambodia, Laos, and Vietnam, and to Thailand on multiple occasions, including the Second Japan-Mekong Foreign Minister's Meeting in October. Ministers stressed the importance of economic development and human security, and shared the view that

peace and stability in the region are keys to achieving the integration goals of the Association of Southeast Asia Nations (ASEAN) and PM Hatoyama's long-term vision of an East Asian Community. The Summit also will cap the Japan-Mekong Exchange Year, a promotional campaign program aimed at deepening cooperation and mutual understanding through people-to-people exchanges, seminars, and dialogues in areas such as culture, economics, politics, and tourism. Japan has assured its neighbors to the west that the Mekong region is a "priority area," according to MOFA contacts.

¶3. (C) Recent discussions between Embassy Tokyo and Southeast Asia watchers suggest that Tokyo is placing emphasis on the Mekong region because Japanese leaders see it as an integral part of the country's diplomatic, security, and economic strategy in Southeast Asia, and the Asia-Pacific region more broadly. The region's large business market, energy resources, and its role as potential political counterweight to China are compelling Japanese decisionmakers to expand Tokyo's outreach. Japanese officials underscore the importance of supporting the region's growth and capacity to develop systems devoted to the rule of law, human rights, and sound governance. Japan's business community also sees ASEAN as a coveted partner and is following concerted efforts in the region by China, India, and South Korea.

Curbing Chinese Influence

¶4. (C) Japan's outreach to Mekong countries, and to Southeast Asia in general, is aimed in part to counter what the Japanese perceive as China's growing presence in the region. Embassy contacts expressed concern about the prospect for

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these countries to fall within China's "orb of influence." Unlike more established partners, such as the Philippines and Indonesia, which the Japanese see as being leery of China, Mekong capitals, perhaps due to proximity in addition to other factors, are less inclined to fend off Chinese appeals, contacts observed. China has a long record of collaboration with the Mekong Region and, through mechanisms such as the Greater Mekong Sub-region (GMS) Initiative and the Mekong River Commission, is exploring areas of cooperation in new areas, including transportation, energy, telecommunications, environmental protection, agriculture, and human resource and natural resource development, among others (Ref A). Mekong represents the complex and varied views that ASEAN capitals hold in general toward the Chinese, MOFA officials regularly concluded.

¶5. (C) Japan is engaging directly with China on Mekong-related issues, in part, to keep an eye on the regional rival. For example, Tokyo hosted the second annual Japan-China Policy Dialogue on the Mekong Region in June 2009. The purpose of the dialogue is to foster transparency and to "figure out" what the Chinese are "not telling us," Southeast Asia Division policy managers have mentioned. This year's meeting was more fruitful than the 2008 dialogue held in Beijing, they said. The Chinese side elaborated on its vision for the GMS, and both parties exchanged opinions on the state of affairs in the region. They also shared information on their respective policies and explored future cooperation in areas such as health, infrastructure, environment conservation, and human resources. The objective of the conference is to build "reciprocal relations among Japan, China, and the Mekong Region," Japanese interlocutors said. The third meeting will take place next year, although a date has not been set.

Forming Links with the Region

¶6. (C) Japan has sought to strengthen ties to the region by

relying on traditional diplomacy tools such as official development assistance (ODA). Although bilateral ties have expanded beyond the ODA-centric policies of the past, aid still plays a critical role in Japan's policy, MOFA Southeast Asia Division officials stressed. Japanese ODA to the region reached nearly \$2 billion in 2007, the most over the previous five-year span. The Mekong region holds great potential for development, considering its vast population, according to MOFA contacts. Japan's grant, loan, and technical assistance programs have focused on remediating poverty and economic disparities, and promoting sustainable development and human security. More specifically, Japanese officials highlight the importance of leveraging aid to garner third-country support in international institutions, secure overseas markets, and expand trade and investment.

¶7. (C) Japanese officials highlight their "corridor" development projects, in particular. These projects, born in part from the Japan-Mekong Partnership Program announced during the first Japan-Mekong Foreign Minister's Meeting in January 2008 and funded through the Japan-ASEAN Integration Fund, aim to improve logistical and distribution efficiencies along the east-west and north-south regional axes. The East-West Economic Corridor connects areas between southern Burma and Da Nang, Vietnam and showcases the Second Mekong International Bridge, located in Thailand and completed by the Japanese in December 2006. MOFA officials note that Japan has experienced some "trouble" on the Burma portion of the development project because of constraints stemming from longstanding political concerns there. The Southern Economic Corridor, part of the Asia Highway, links Bangkok, Phnom Penh, and Ho Chi Minh City. The project "lags behind" its east-west counterpart--a key bridge along the route remains unbuilt, for example--but MOFA officials still expect to realize a substantial economic and industrial artery upon completion. Both corridors also include sub-projects aimed at enhancing customs clearance and improving trucking and roadside station facilities.

¶8. (C) Japan also has focused ODA on a country-by-country

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basis, although aid has fluctuated greatly in some cases. On Burma, Japanese aid has remained consistently minimal, reflecting Japan's measured engagement with the Burmese government, and is centered on the health, education, agriculture, forestry, fisheries, and social infrastructure sectors. Since 1999, Japan has provided Cambodia legal infrastructure assistance with the aim of advancing the peace process and reconstruction of the country. Japan also uses aid for hospital improvement, demining activities, and infectious disease control projects. Aid to Laos, as of 2007, had dropped from previous levels but is focused on transportation, and health. Most saliently, Japan provided assistance to improve the Vientiane Number One Road, a transportation channel connecting the country to the rest of region. In Thailand, Japan has helped develop the Mass Rapid Transit System with the aim of relieving local traffic congestion and mitigating greenhouse gas emissions. Overall, however, Thailand's allotment has shrunk dramatically from levels in 2000 and 2004, perhaps because of recent political instability. Japanese aid to Vietnam stands out in particular. As of 2007, Japanese ODA to Vietnam was nearly eight times greater than the second largest regional aid recipient, Cambodia, and comprised nearly 75 percent of Japanese aid in the region. Political stability and recovery from the financial and economic crisis are key drivers in Japan's efforts in the country, according to MOFA officials.

¶9. (C) Japan has sought to couple its ODA strategies with an increased focus on trade and investment. Japan has signed economic partnership agreements (EPA) with Thailand and Vietnam, in addition to having inked EPAs with all original ASEAN members and with the Association as a whole, and has concluded bilateral investment agreements with Cambodia and

Laos. Japan's overall trade with the region has increased steadily since 2003, reaching close to \$60 billion in 2007, according to ASEAN-Japan Center statistics, and Japanese foreign direct investment (FDI) exceeded \$6 billion during the same year.

¶110. (C) The ongoing expansion of Japan's ties to Southeast Asian trading partners will depend in part on the growth of Japan's domestic economy. In recent dialogues between Tokyo and regional capitals, leaders have underscored the need for ASEAN economies to rethink models of export-led growth focused on the American consumer, considering the economic downturn. Regional decisionmakers often highlight the revival of domestic Japanese demand as the single-most important way Japan can contribute to ASEAN's economic development.

Emphasizing Exchanges

¶111. (C) Japanese officials also stress the importance of people-to-people exchanges in solidifying ties to the region. Specifically, they highlight the Japan Foundation's Japan-East Asia Network of Exchange for Students and Youths (JENESYS) program, an initiative by which Japan invites emerging artists, leaders, and students from the Asia-Pacific region to take part in various cross-cultural activities and residency programs across the country. Roughly 450 Mekong region-based young adults, including traditional arts performers, parliamentarians and political leaders, and sports enthusiasts, visited Japan during the first half of 2009 under the JENESYS program. Japan plans to invite 800-850 Mekong subjects annually over the next five years. Such initiatives are part of the more than 170 events Japan and Mekong partners planned for the Japan-Mekong Exchange Year. Tokyo hopes that visitors "come to like Japan," Embassy contacts said.

Vietnam: A Special Case

¶112. (C) Some Japanese Southeast Asia watchers see Vietnam as the pillar of Japan's policies in mainland Southeast Asia, much like Indonesia is the linchpin in the maritime region

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(Ref B). Economically, Vietnam is a manufacturing base for Japanese firms and a potential export market, MOFA officials told us. The majority of Japanese aid funds construction, transportation, and energy projects, they explained. The Japan International Cooperation Agency is also engaged heavily in the health sector and is working under a public-private partnership with business community leaders and associations to promote business climate improvements. Vietnam, for its part, opened a new consulate general in Fukuoka Prefecture in April and expanded air routes from Fukuoka to Hanoi in October (Ref C). Trade has been growing rapidly for the past several years and, in 2008, exports and imports combined exceeded \$16 billion, nearly four times greater than 2001 volume. Japan is one of Vietnam's largest sources of FDI, reaching \$3.3 billion in 2008, and the top ODA benefactor. (Comment. Consultations between the U.S.-Japan and South Korea on Vietnam assistance plans may be useful, considering Japan's efforts, the USG's own significantly expanding levels of foreign assistance to Vietnam, and Seoul's growing involvement in the country. End Comment.)

Using Mekong Venues to Discuss Other Challenges

¶113. (C) Japan sees engagement with Mekong countries also as a way to address other regional concerns, such as Burma and

North Korea. During the Second Japan-Mekong Foreign Minister's Meeting in October, for example, leaders produced a statement calling on the Burmese government to hold transparent, democratic, and inclusive elections in 2010. The Summit also is an opportunity for Japan to appeal to Burmese leaders directly on humanitarian issues, such as the release of political prisoners, including Aung San Suu Kyi. Burmese Prime Minister Thein Sein is scheduled to attend the November 6-7 meeting. On North Korea, Tokyo uses Japan-Mekong venues to urge Pyongyang to comply with all relevant UN Security Council resolutions and to follow through on its commitments in the Six-Party Talks. In October, all sides stressed the importance of the multilateral framework and the need for the North to resolve the longstanding stalemate over the abductions of Japanese citizens.

Opportunities for Cooperation with the United States

¶14. (C) Japanese interlocutors welcome U.S. engagement with the Mekong region and highlight shared interests. They stress the importance of coordination more than ever, considering that Japan, China, and now the United States, through the U.S.-Mekong Ministerial Dialogue, each have their own Mekong-based forums. There is room for broader U.S.-Japan cooperation, particularly in the realms of education, counterterrorism, social development, democratization, and anticorruption, our interlocutors regularly noted. Washington has clearly demonstrated its policy of attaching importance to Southeast Asia, they added.

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